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UNCLAS SECTION 01 OF 02 KABUL 000784

DEPT FOR SRAP, SCA/FO, SCA/RA, SCA/A AND OES SUE BINIAZ
DEPT PASS AID/ANE
DEPT PASS USTR FOR DELANEY AND DEANGELLIS
DEPT PASS OPIC
DEPT PASS TDA FOR STEIN AND GREENIP
USOECF FOR ENERGY ATTACHE
CENTCOM FOR CSTC-A
NSC FOR JWOOD
TREASURY FOR LMC DONALD, ABAUKOL, AWELLER, AND MNUGENT
COMMERCE FOR DEES, HAMROCK, AND FONOVIKH

SENSITIVE

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TAGS: [ETRD](#) [ECON](#) [EINV](#) [EFIN](#) [AF](#) [IR](#)
SUBJECT: AFGHAN RECONSTRUCTION, TRADE, HOT TOPICS IN TEHRAN

REF: 2008 Kabul 2907

SUMMARY

¶1. (SBU) The Tehran-hosted Economic Cooperation Organization (ECO) summit saw Afghan reconstruction and regional trade issues highlighted earlier this month. The March 11 summit meetings resulted in agreement among participants to contribute USD one million each to a reconstruction fund. But rather than a dry gabfest, a high-level Afghan Ministry of Commerce and Industry (MOCI) official's readout on the summit noted potential Iranian and Chinese cooperation to make Central Asian regional trade routes flow through Iran instead of Pakistani ports, which could affect the current focus of Afghan trade policy and negotiations on transit trade with Pakistan. End Summary.

ECO SUMMIT OFFERS SOME RESULTS FOR AFGHANISTAN

¶2. (SBU) Assistant Secretary-level head of MOCI's foreign trade department, Azim Wardak, told Deputy Econ Counselor that two agenda items at the Tehran ECO focused on Afghanistan. First, ECO participants agreed to contribute USD one million each to a "reconstruction fund" for Afghanistan. Wardak acknowledged this as a positive development, but was realistic about the chances of seeing any of that money in the near future. "There will be a lot of arguing among members before the money gets disbursed," he said.

¶3. (SBU) Wardak was more optimistic about discussions at the summit between Iran and China, both of which appear to be willing to contribute financially to development of port infrastructure and road and rail links from Iranian ports through Afghanistan, ultimately linking with proposed Chinese rail links tied to its Aynak copper mine concession. (NOTE: as part of its winning bid for the Aynak copper mine, the Chinese company promised to develop rail links from the mine to China via Tajikistan. End Note) Wardak claimed that Iran and China both pledged to contribute USD one billion (and Wardak emphasized "billion") to road and rail infrastructure. (NOTE: Septel is forthcoming on transportation infrastructure developments in Afghanistan. End Note)

IRAN WILLING TO FOOT BILL ON TRANSPORT FEASIBILITY STUDY

¶4. (SBU) ECO participants agreed to provide funding for a feasibility study of these transit routes. Nonetheless, Wardak approached the Iranians directly, noting again that "waiting for the money from ECO will take a lot of time," and asked that they do the feasibility study themselves. Wardak, a dual U.S.-Afghan citizen, has been a useful contact for the Mission and in the past has been quite critical of Iranian attempts, some subtle, some not so, to influence Afghan policies. However, in this instance, he said his normal skepticism was outweighed by the potential of the Iranian offer. "We are getting nowhere on transit trade with Pakistan, and Iran is offering major incentives for us, without any of the problems on the Pakistan border." (NOTE: In June 2008 Afghanistan and Iran signed a transit trade agreement that provided reduced fees for Afghan traders and committed both countries to development of improved trade links. See reftel. End Note)

¶5. (SBU) Wardak visited the ports of Charbahar and Bandar Abbas and said the Iranians put on a good show, touting their port facilities and security, and offering 25 percent discounts, visa-free travel, and other incentives. He noted that the Indian wheat donation that has hit roadblock after roadblock - quite literally - in getting Pakistani permission to cross through Wagha was mentioned specifically by the Iranian side as doable "with no transit difficulties" through either Bandar Abbas (which he said can accommodate 80 thousand tons) or Charbahar (which has a per ship capacity of 40 thousand tons). Other GIROA officials have confirmed they are considering shipping at least some of the Indian wheat through Iran, even though this would present problems for transporting it from western Afghanistan to population centers in the east.

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COMMENT

¶6. (SBU) While perpetual dithering takes place between Afghanistan and Pakistan on transit trade and other regional trade issues, the Iranians have been consistent and persistent in offering their ports as a more convenient and reliable location for Afghan traders. If trade and transport become even riskier through Pakistan, we anticipate that this forthcoming Iranian attitude will not only continue but may even become more effusive as discussions on regional trade continue.
WOOD